

April 18, 2008

Mr. Kevin Kennedy
Chief, Program Evaluation Branch
California Air Resources Board

Re: Comments of the California Municipal Utilities Association to Questions Presented at the AB 32 Technical Stakeholder Working Group Meeting on Offsets

Dear Mr. Kennedy,

Please accept the following comments of the California Municipal Utilities Association (“CMUA”) to the questions presented by the Framework for Discussion (“Framework”) relating to the AB 32 Technical Stakeholder Working Group Meeting conducted on April 4, 2008. CMUA responds to the five questions listed on page 4 of the Framework.

1. Should California have an offsets program for compliance purposes?

CMUA agrees with the Framework statement that a properly structured offsets mechanism could provide flexibility in compliance options, lower the overall compliance costs, and encourage additional reductions beyond business as usual. (p.5) The Framework also states that offsets will, “in general,” come from sources outside the cap. Therefore, CMUA believes that the CARB should follow equitable criteria to determine which sectors or activities will be outside the cap and eligible to provide offsets to sectors under the cap. For instance, any sector that is shown to have uniformly measurable and verifiable emissions should be brought into the proposed cap-and-trade program along with the electric sector. Hence, a properly structured offsets mechanism would minimize or eliminate the chance that windfall profits would flow to other sectors from electric sector.

2. What should the project approval and qualification process be for approving projects?

CMUA supports the hybrid approach as generally described in the Framework. (p.7) The hybrid approach could provide certainty and credibility by establishing a standards-based list of eligible offset project types. Since not all offset opportunities can be forecast or imagined by the regulations, the hybrid approach should also provide the chance for an entity to petition for offset approval on a project-by-project basis.

3. Should there be quantitative limits on the use of offsets for compliance purposes?

The quantity of offsets should not be limited as long as they provide emission reductions that are real, additional, quantifiable, permanent, verifiable, and enforceable. Accordingly, the CARB should not

restrict any regulated entity from pursuing an offset project that meets these stated criteria and is able to provide the least-cost option for compliance.

4. Should California establish limits or preferences on the location of projects that could be used to generate credits within the offsets system?

In terms of climate change being a global phenomenon, it follows that any quantifiable GHG emission reduction would have the same utility in reducing the atmospheric GHG concentration regardless of the offset's location. In terms of public policy, it may be legitimate to give preference to local offsets that keep the money within California and provide local co-benefits (e.g., positive environmental justice impacts). Overall, CMUA supports the use of offsets as a flexible compliance mechanism. Therefore, CMUA does not support limiting the geographical scope of offsets to the extent that they would become unavailable or cost-prohibitive.

5. Should California discount credits from offset projects?

CMUA agrees with the second point presented in the Framework (p.11) in that discounts *will* improperly penalize legitimate offset projects that do, in fact, produce real, additional, quantifiable, permanent, verifiable, and enforceable reductions. Therefore, CMUA does not support discounts but rather supports rigorous standards for offset qualification (using the hybrid approach discussed above), measurement, and verification.

Dated: April 18, 2008

Respectfully submitted,



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For the California Municipal Utilities Association